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Beginning January 1, 2017, Fuel Tax formulas in the 2015 Road Funding bills will increase gasoline and diesel taxes to 26.3 cents per gallon. Surprisingly, diesel powered trucks that switch to compressed natural gas (CNG) will pay 29.62 cents per gallon (that's 12% higher than the tax on diesel fuel). HB 5572 seeks to correct that disparity which incorrectly suggests Michigan does not support or recognize the benefits of diesel powered trucks converting to a cleaner burning alternative fuel like natural gas.

To eliminate the 12% penalty, HB 5572 adds a conversion factor reflecting the fact that a gallon of diesel has 12% more energy than a gallon of gasoline. The proposed change will not give CNG a tax advantage. It levels the playing field and makes the tax on diesel and CNG the same by converting the energy content in a gallon of diesel to a volume of CNG with that same amount of energy. This CNG/diesel gallon equivalent is the factor needed to give CNG the same per gallon tax rate as diesel fuel.

The proposed change will affect less than 500 trucks statewide owned by fleet operators similar to Waste Management. Their trucks operate in Michigan and the owners are designated as Alternative Fuel Commercial Users. These companies migrate to CNG powered trucks for fuel supply stability and CNG's lower greenhouse gas emissions within fleets that have historically been powered by diesel fuel.

While the environmental benefits are real, the conversion is expensive to do. Each CNG powered garbage truck costs in excess of \$350,000 and is \$30,000 to \$50,000 more than a diesel powered truck. An onsite CNG fueling station costs about \$1.7 million and it takes an additional \$500,000 to one million dollars to convert a truck maintenance facility to a safe CNG working environment. Additional funds are required to train and certify mechanics as qualified CNG technicians. A CNG facility with twenty new trucks is a ten million dollar investment and I hope you would agree that it is the type of investment that warrants fair tax treatment.

HB5572 removes a tax-disincentive for truck fleets to switch to alternative fuels. Absent the amendment, Michigan would be the only state with a tax policy punishing truck fleets for shifting to a cleaner burning alternative fuel like natural gas that provides a significant reduction in particle emissions and greenhouse gases. That is particularly important to the urban areas of our state that are a non-attainment area for sulphur dioxide and other pollutants.

Thank you for the opportunity to speak to you today in support of this legislation.